MEDLAB CLINICAL LIMITED

(ABN 51 169 149 071)




ANNUAL REPORT

FOR THE PERIOD ENDED 30 JUNE 2015

INNOVATION - QUALITY - LIFE SCIENCES

INNOVATION - QUALITY - LIFE SCIENCES

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CHAIRMAN'S LETTER

On behalf of the Board of Medlab Clinical Limited (Medlab), I am pleased to present our first Annual Report as an ASX Listed company.

2015 has certainly been a very exciting year and one of transition for Medlab. It was back on 13 April 2015, when we originally lodged our prospectus with the ASX and after a successful IPO, we listed on the ASX on 14 July 2015. We are very proud to have completed the listing especially given the volatile state of the market and the unfortunate demise of our original Lead Broker, BBY Limited as we were nearing completion. We are very grateful to Shaw and Partners who had belief in us and took over as Broker.

We would not have been able to achieve this important milestone without the support of our advisors at Hall Chadwick and Sparke Helmore.

Medlab is a unique company as it has three distinct areas of business and subsequent intended sources of revenue:

- Sale of nutraceutical products developed from our research into chronic illnesses. It is anticipated that these sales will self-fund our research.
- Development of pharmaceuticals that we intend to sell or licence to large multi-national companies
- Development of platform technologies to repurpose existing drugs

Chronic illness is very prevalent today and our research is targeting the development of bacteria-based medicines in 5 specific areas:

- Anti-ageing
- Chronic kidney disease
- Depression
- Obesity
- Pain management

Our aim is to develop high quality health products from this research. To enable us to achieve these goals we have a highly qualified research team led by scientists who have spent a major part of their lives researching these key areas of chronic illness.

I would like thank you, our shareholders who have shown belief and invested in Medlab in what will hopefully be not only an exciting but also profitable journey together.

Yours sincerely.

Michael Hall
Chairman

CEO REPORT

Dear Shareholder,

First and foremost thank you for your support. This has been an incredible year for Medlab as we started up operations here and abroad and culminated with our successful listing on the ASX on 14 July 2015. At the time of writing this report, a number of milestones have also been achieved since year-end.

HIGHLIGHTS

- Clinical trial in depression commenced in February 2015
- Clinical trial in obesity commenced in February 2015
- Official launch of our nutraceutical range at the ACNEM (Australian College of Nutritional and Environmental Medicine) conference in Melbourne in May 2015 and the GPCE (General Practitioner Conference and Exhibition) conference in Sydney in June.
- Medlab Clinical Limited starts trading on the ASX on 14 July 2015
- On 29 July 2015, the Company announced that the NSW Government has granted us a research licence for the use of medical cannabis.
- Executed a trade deal with Functional and Integrative Medicine Limited (FXMed) in July 2015.
- Medlab has lodged 9 provisional patents, 1 PCT Patent, 2 Innovative Patents, 2 Pending Patents filed in Australia and USA.
- Discovered first metabolite from bacteria to support production of lean body mass and regulate weight.

GLOBAL NUTRACEUTICAL OPPORTUNITIES

Medlab's nutraceutical business formally launched in Australia in May 2015 and to date we have grown our marketable database to approximately 2,700 Australian health care practitioners. Furthermore, Medlab's social media reach is to over 5,000 people.

In June 2015 Medlab's US entity, InMed Technologies formally launched with a boutique U.S. reseller representing some 26,000 U.S. healthcare practitioners. We are also investigating opportunities to relabel our products under existing branded labels.

In July 2015, Medlab signed a trade deal with FXMed, a reseller in New Zealand. The trade deal will allow us to expand into New Zealand.

At the time of writing, we have commenced early trade talks with potential partners for Asia with a major focus on Singapore, Thailand, Vietnam and China

Over a short period of time these markets should develop into sizeable businesses.

FINANCIAL RESULTS

This annual report to shareholders provides us with an opportunity for us to present our first financial report as an ASX Listed Company. I am happy to state that commercialisation of Medlab is off to a better than anticipated start and our losses over the period are marginally less than what was first projected.

- Total Revenue of $1,266,160 (inclusive of R&D refunds).
- The loss of the consolidated group after providing for non-controlling interest amounted to $3,552,842.

Overweight and obesity by the numbers

Based on measured height and weight from the 2011-12 Australian Bureau of Statistics Australian Health Survey to calculate BMI.

- Almost **2 in 3** Australian **adults** (63%) are overweight or obese.

Mental Health

The most recent data shows that mental health conditions are highly prevalent in the population.

- In 2007, **1 in 5** Australians aged 16-85 (20%) experienced a mental disorder in the previous 12 months.

- In 2013-14, **1 in 7** children aged 4-17 (14%) were assessed as having mental health disorders in the previous 12 months.

Chronic Kidney Disease (CKD)

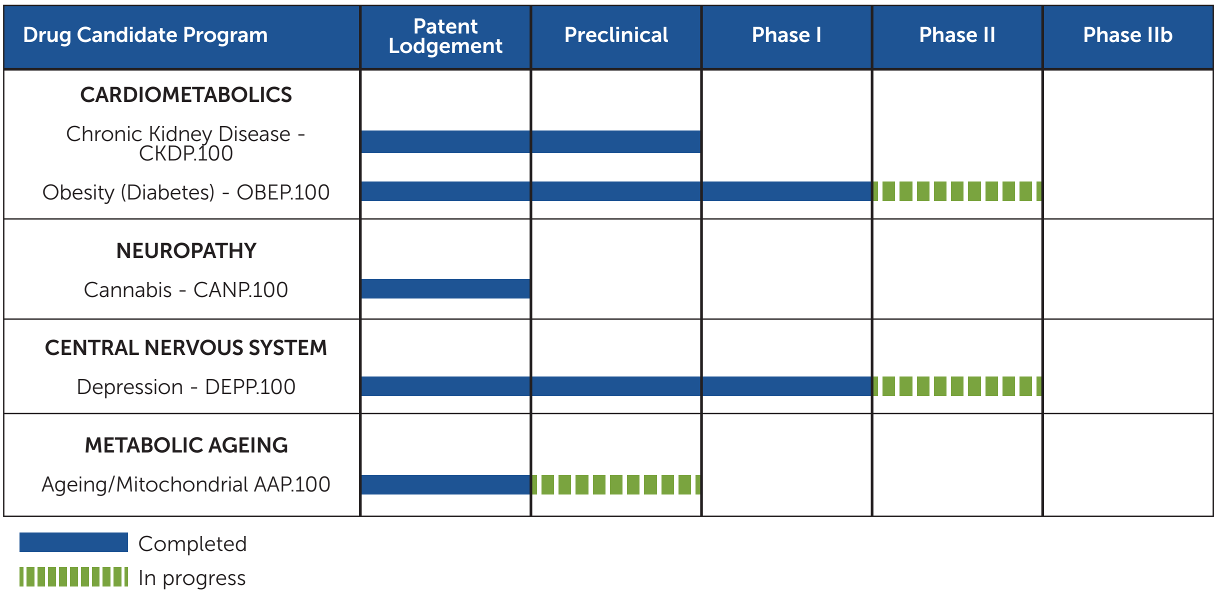
- **1 in 10** Australians aged 18+ (10%) had biomedical signs of CKD in 2011-12, with the majority of these showing early signs of the disease.
- **1 in 10 deaths** in 2007 were CKD-related.

Source: http://www.aihw.gov.au/chronic-diseases/

RESEARCH UPDATE

Our R&D program targets the development of bacteria-based medicines in five specific areas: Obesity, chronic kidney disease, depression, ageing and muscular skeletal health and pain management.

The graph below shows the progression of our various clinical trials:



We are pleased with the progress, which includes:

i) Pain management (through cannabis): With the granting of the research licence, we will now be able to progress our research into pain management. The initial delivery platform Nanocelle™ has already been developed for potential future cannabis products.

ii) Depression: Preliminary depression results using NRGBiotic™ are very promising and we are currently in the recruitment stage of human trials. Medlab's focus for treatment is patients who have demonstrated resistance to current therapy for a mean period of three years. Current therapy includes the use of anti-depressants.

iii) Obesity: Chemical discovery of Hydroxy-Isocaproic Acid (HICA) secreted from two of our bacteria. HICA is indicated in lean muscle development and growth. It has been provisionally patented and commercialised in W8Biotic™. As part of our obesity work, animal studies on Non Alcoholic Fatty Liver Disease (NAFLD) have been performed. The study showed that MultiBiotic™ had halted progression of NAFLD. A PCT Patent has been filed and human extension trials are being discussed.

Medlab's research endeavours are core to any commercial strategy undertaken, as the research drives product development, patent development and medical education, which is our primary marketing tool.

Medlab's core research projects are progressing well with both our obesity and depression work progressing ahead of schedule without increased cost to the company.

Cannabis research is underway, with a delivery platform (NanoCelle™) to ensure precision and accuracy in delivering the cannabis actives. Provisional patents have been filed.

Medlab's market uniqueness is to deliver quality, evidence based products to healthcare professionals for the treatment of chronic illnesses. This is encapsulated as both nutritional and pharmaceutical offerings.

MEDLAB PEOPLE

Medlab's staff profile is key. We believe good people add value to the company and preserve the culture, as Medlab's culture centres around innovation and as a result we have been able to attract experienced industry people. Over time Medlab's human capital will grow.

Presently, as a company:
- 50% of our staff are women
- 20% of our staff are post doctorates
- 10% of our staff are Pharmacists
- 5 languages are spoken
- We offer an informal intern program for postgraduate applicants.



STRATEGY

From a strategic vision, the company is committed to:
- Develop itself as a trusted authority in chronic illnesses
- Innovate and commercialise products based on innovative milestones
- Grow and develop its human capital
- Grow and develop its patent war-chest to mitigate competitive interests.
- Commercial on a global scale

Medlab's vision is simple, provide for the "now" whilst providing for the company's future prosperity.

We thank you for your support, together we can heal the sick, and provide for the future.

Sincerely,

Sean Hall

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Medlab Clinical Limited and its controlled entities for the financial period ended 30 June 2015.

Directors

The following persons were directors of the company during the period and up to the date of this report, unless otherwise stated:

S.M. Hall (appointed 17 April 2014)
M.J. Hall (appointed 17 April 2014)
D.A. Townsend (appointed 25 June 2014)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the consolidated group are:
- Sale of nutraceutical products
- Pharmaceutical research

No significant changes in the nature of these activities occurred during the period.

Review of Operations

The loss of the consolidated group after providing for income tax and non-controlling interest amounted to $3,552,842.

At period end, the economic entity had total assets of $2,272,073 and total liabilities of $2,015,302. Of the total liabilities, $755,265 were short-term director loans, which repaid subsequent to the ASX Listing in July 2015.

Operations are at early stage and with the nutraceutical range being officially launched in May 2015. A more detailed operations review can be found in the CEO report.

Significant Changes in the State of Affairs.

No significant changes in the consolidated group's state of affairs occurred during the period.

After Balance Date Events

No matters or circumstances have arisen since 30 June 2015 which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years other than:

Medlab Clinical Limited (ASX: MDC) was admitted to the Official List of ASX Limited on Monday 13 July 2015. The official quotation of 72,062,953 fully paid ordinary shares was on Tuesday 14 July 2015.

In accordance with the agreement executed with Shaw and Partners Limited, following the successful completion of the IPO, unquoted options were issued under the following key conditions:
- No of Options = 1,541,725
- Granted on 10 July 2015
- Options can not be exercised until 10 July 2018
- Options expire on 30 June 2020
- Exercise price of $0.30

Since year end, the following shares were released from escrow:
- On 19 August 2015: 3,750,000 ordinary shares
- On 21 August 2015: 750,000 ordinary shares
- On 25 August 2015: 750,000 ordinary shares
- On 27 August 2015: 750,000 ordinary shares

Information Relating to Directors and Company Secretary

Name:	Michael Hall
Title:	Non-Executive Chairman
Qualifications:	CPA
Experience:	Michael has a long history in the management and building of successful nutrition companies. Michael's early career was in accounting, retailing and private banking.
Other current directorships:	None
Former directorships (last 3 years)	None
Special responsibilities	Member of: • Risk Management and Audit Committee • Nomination and Remuneration Committee
Interest in shares:	10,967,778 ordinary shares
Interest in options:	3,500,000 unquoted options
Contractual right to shares:	None

Name:	Sean Hall
Title:	Managing Director and Chief Executive Officer
Qualifications:	B.A(Psych)
Experience:	Sean has over 20 years experience in the Australian Healthcare and food industries and early phase drug discovery in Australia and Asia. Sean is best known for building Australia's leading practitioner brand, BioCeuticals. Sean is an active member of Medicines Australia, American Federation for Medical Research, American Academy of Anti-Ageing Medicine, Ausbiotech, a member of the Scientific Advisory Board for BITs Life Science China and a Board Member of the International Probiotics Association. Sean has completed Executive Education at Harvard Graduate School of Business and more recently continuing Medical Education through Harvard Medical School.
Other current directorships:	None
Former directorships (last 3 years)	None
Special responsibilities	Member of: • Nomination and Remuneration Committee
Interest in shares:	54,922,222 ordinary shares
Interest in options:	5,000,000 unquoted options
Contractual right to shares:	None

Name:	Drew Townsend
Title:	Non-Executive Director
Qualifications:	B.Com, CA, MAICD
Experience:	Drew is a senior partner in the chartered accounting firm of Hall Chadwick and has been a partner in this firm for over 25 years. He is an experienced chartered accountant and corporate advisor to numerous SMEs.
Other current directorships:	Non-Executive Chairman of Qantum Energy Limited
Former directorships (last 3 years)	None
Special responsibilities	Chairman of: • Risk Management and Audit Committee • Nomination and Remuneration Committee
Interest in shares:	15,500,000 ordinary shares
Interest in options:	None
Contractual right to shares:	None

Name:	Alan Dworkin
Title:	Company Secretary
Qualifications:	B.Bus, CA, ACSA, GAICD
Experience:	Alan is a Chartered Accountant with over 18 years experience in tax, resources and nutraceutical sectors, including the last six years as CFO and Company Secretary of FIT-BioCeuticals Limited.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Short-term benefits		Nomination and Remuneration Committee		Risk Management and Audit Committee	
Name	Attended	Held	Attended	Held	Attended	Held
Michael Hall	10	10	-	-	1	1
Drew Townsend	9	10	-	-	1	1
Sean Hall	10	10	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Future Developments

Likely developments in the operations of the consolidated group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated group.

Environmental Issues

The consolidated group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory.

Shares under Option

At the date of this report, the unissued ordinary shares of Medlab Clinical Limited under option are as follows:

Grant date	Date of expiry	Exercise price	Number under option
17 April 2014	30 June 2019	$0.30	10,000,000
10 July 2015	30 June 2020	$0.30	1,541,725

Option holders do not have rights to participate in any issues of shares or other interests in the company or any or any other entity.

REMUNERATION REPORT

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

Alignment to shareholders' interests:
- Has economic profit as a core component of plan design
- Focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- Attracts and retains high calibre executives

Alignment to program participants' interests:
- Rewards capability and experience
- Reflects competitive reward for contribution to growth in shareholder wealth
- Provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Executive remuneration

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has three components:
- Base pay and non-monetary benefits
- Share-based payments
- Other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives under the shareholder approved Employee Share Option Plan (ESOP) based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Nomination and Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2015. As at 30 June 2015, no options were issued under the ESOP.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Medlab Clinical Limited:
- Michael Hall – Non-Executive Chairman
- Drew Townsend – Non-Executive Director
- Sean Hall – Managing Director and Chief Executive Officer

And the following persons:
- Alan Dworkin – Chief Financial Officer and Company Secretary (commenced on 9 February 2015)
- Dr Luis Vitetta – Director of Medical Research
- Dr David Rutolo – Director of Science

Name	Short-term benefits			Post-employment benefits	Share-based benefits	Total $
	Cash salary and fees $	Cash bonus $	Non-monetary $	Cash bonus $	Cash bonus $	
Directors:						
Michael Hall	112,860	-	-	4,190	-	117,050
Drew Townsend	53,276	-	-	-	-	53,276
Sean Hall (1)	264,658	-	-	25,142	-	289,800
Other Key Management Personnel:						
Alan Dworkin (3)	66,245	-	-	6,293	-	72,538
Luis Vitetta (2)	307,090	-	-	27,366	-	334,456
David Rutolo	149,309	-	-	12,109	-	161,418
	953,438	-	-	75,100	-	1,028,538

Notes:
1. Sean Hall commenced earning a salary from 11 August 2014
2. Luis Vitetta was earning a salary during the entire period of 17 April 2014 to 30 June 2015.
3. Alan Dworkin commenced employment on 9 February 2015

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2015	2014	2015	2014	2015	2014
Directors:						
Michael Hall	100%	-%	-%	-%	-%	-%
Drew Townsend	100%	-%	-%	-%	-%	-%
Sean Hall	100%	-%	-%	-%	-%	-%
Other Key Management Personnel:						
Alan Dworkin	100%	-%	-%	-%	-%	-%
Luis Vitetta	100%	-%	-%	-%	-%	-%
David Rutolo	100%	-%	-%	-%	-%	-%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements or employment contracts. Details of these agreements are as follows:

Name:	Sean Hall
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	1 July 2012
Term of agreement:	No Fixed Term
Details:	Base salary for the year ending 30 June 2016 of $299,178 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 12 month termination notice by either party, non-solicitation and non-compete clauses.

Name:	Alan Dworkin
Title:	Chief Financial Officer and Company Secretary
Agreement commenced:	9 February 2015
Term of agreement:	No Fixed Term
Details:	Base salary for the year ending 30 June 2016 of $170,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 4 weeks termination notice by either party, eligible to be part of the consolidated entity's ESOP.

Name:	Luis Vitetta
Title:	Director of Medical Research
Agreement commenced:	4 March 2013
Term of agreement:	No Fixed Term
Details:	Base salary for the year ending 30 June 2016 of $250,250 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 2 weeks termination notice by either party, eligible to be part of the consolidated entity's ESOP.

Name:	David Rutolo
Title:	Director of Science
Agreement commenced:	22 January 2015
Term of agreement:	No Fixed Term
Details:	Base salary for the year ending 30 June 2016 of US$120,000 plus employment benefits, to be reviewed annually by the Nomination and Remuneration Committee. 30 days termination notice by either party.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date $	Expiry date	Exercise price
17 April 2014	30 June 2017	30 June 2019	$0.30

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below:

Name	Number of options granted during the year 2015	Number of vested granted during the year 2015
Michael Hall	3,500,000	-
Sean Hall	5,000,000	-
Luis Vitetta	1,500,000	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below:

None

Indemnification of Officers

No indemnities have been given or insurance premiums paid, during the financial year, for any person who is or has been an officer or auditor of the controlled group.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 18 of the financial report.

Signed in accordance with a resolution of the Board of Directors.

S Hall
Director

D Townsend
Director

Dated this 27th day of August 2015

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As auditor for the audit of Medlab Clinical Limited and its Controlled Entities for the period ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 26th day of August 2015.

ESV

ESV Accounting and Business Advisors

Tim Valtwies

Tim Valtwies
Partner

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2015

	Notes	For the period 17 April 2014 to 30 June 2015 $
Revenue	3	1,266,160
Raw materials and consumables used		(100,662)
Employee benefits expense		(2,156,689)
Depreciation and amortisation expense		(133,236)
Professional and consulting fees		(879,439)
Operating lease costs		(348,787)
Finance costs		(10,127)
Selling & marketing expenses		(296,508)
Other expenses	4	(1,248,947)
Loss before income tax		**(3,908,235)**
Income tax expense	5	-
Net loss for the period		**(3,908,235)**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Foreign currency translation		(76,946)
Other comprehensive loss for the year, net of tax		(76,946)
Total comprehensive loss for the year		**(3,985,181)**
Net loss attributable to:		
Members of the parent entity		(3,552,842)
Non-controlling interest		(355,393)
		(3,908,235)
Total comprehensive loss attributable to:		
Members of the parent entity		(3,598,803)
Non-controlling interest		(386,378)
		(3,985,181)
Earnings per share		**Cents**
Basic earnings per share	28	(3.12)
Diluted earnings per share	28	(3.12)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Notes	2015 $
ASSETS		
Current Assets		
Cash and cash equivalents	6	115,815
Trade and other receivables	7	841,434
Inventories	8	386,308
Other assets	9	387,873
Total Current Assets		**1,731,430**
Non-Current Assets		
Property, plant and equipment	10	540,643
Total Non-Current Assets		**540,643**
TOTAL ASSETS		**2,272,073**
LIABILITIES		
Current Liabilities		
Trade and other payables	11	891,932
Employee benefits	12	80,658
Borrowings	13	755,265
Total Current Liabilities		**1,727,855**
Non-Current Liabilities		
Provisions	14	27,500
Other liabilities	15	14,341
Borrowings	13	245,606
Total Non-Current Liabilities		**287,447**
TOTAL LIABILITIES		**2,015,302**
NET ASSETS		**256,771**
EQUITY		
Issued capital	16	5,252,374
Reserves	17	63,950
Accumulated losses		(4,632,179)
Equity attributable to the owners of Medlab Clinical Limited		684,145
Outside equity interest		(427,374)
TOTAL EQUITY		**256,771**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2015

Consolidated Group	Issued Capital $	Accumulated Losses Attributable to members of the parent company $	Reserves $	Attributable to owners of the parent $	Non-Controlling Interests $	Total $
Balance at 17 April 2014	2,252,374	(1,079,337)	-	1,173,037	(40,996)	1,132,041
Loss after income tax						
for the period		(3,552,842)		(3,552,842)	(355,393)	(3,908,235)
Other comprehensive						
income for the period,						
net of tax			63,950	63,950	(30,985)	32,965
Total comprehensive						
income for the period	-	(3,552,842)	63,950	(3,488,892)	(386,378)	(3,875,270)
Transactions with owners						
in their capacity as						
owners:						
Shares issued	3,000,000			3,000,000		3,000,000
Dividends paid		-				-
Balance at 30 June 2015	**5,252,374**	**(4,632,179)**	**63,950**	**684,145**	**(427,374)**	**256,771**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2015

	Notes	For the period 17 April 2014 to 30 June 2015 $
Cash Flows from Operating Activities		
Receipts from customers		316,453
Receipts from R&D Tax refund		536,187
Payments to suppliers and employees		(4,835,027)
Finance costs		(1,756)
Interest received		18,539
Net (used) from operating activities	**6**	**(3,965,604)**
Cash flows from Investing Activities		
Purchase of plant and equipment		(192,460)
Net cash (used in) investing activities		**(192,460)**
Cash flows from Financing Activities		
Loans from directors		948,525
Proceeds from issue of shares		3,000,000
Net cash from financing activities		**3,948,525**
Net decrease in cash held		(209,539)
Cash and cash equivalents at beginning of financial year		322,731
Exchange rate adjustments		2,623
Cash and cash equivalents at end of the financial year	**6**	**115,815**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

The consolidated financial statements and notes represent those of Medlab Clinical Ltd and controlled entities (Company, Group or consolidated entity).

The place of business of the Parent Company is:

Medlab Clinical Limited
66 McCauley Street
Alexandria NSW 2015

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 2.

The Financial Statements were authorised for issue by the Directors on 27 August 2015.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.

Restructure

In the period up to 17 April 2014, the Group comprised Medlab Pty Ltd and its controlled entities: Medlab Research Pty Ltd, Medlab IP Pty Ltd, InMed Technologies Inc and Beyond Bioscience Inc.

On 17 April 2014 a new company called Medlab Clinical Limited was incorporated and acquired all of the shares in Medlab Pty Ltd. As consideration Medlab Clinical Limited issued in a script for script exchange an equivalent number of shares to the original Medlab Pty Ltd shareholders. As a result Medlab Clinical Limited then became the ultimate holding company of the Group.

The consolidation of the subsidiaries of Medlab Clinical Limited following the restructure in advance of the Initial Public Offering have been prepared as a group re-organisation of entities under common control, which is outside the scope of AASB 3 Business Combinations. No acquirer is identified, there is no change in economic substance and all entities assets and liabilities are included at their pre-restructure book values.

These financial reports have been prepared for the period commencing the date the restructure occurred, which is from 17 April 2014 to 30 June 2015. The resultant accounting treatments are as follows:

Share Capital

Share capital represents the share capital of Medlab Pty Ltd as of 17 April 2014 plus any shares issued and fully paid by Medlab Clinical Ltd to 30 June 2015.

Assets and Liabilities at the time of Business Restructure

At the time of the restructuring, the assets and liabilities of Medlab Pty Ltd and its subsidiaries were recorded at book value.

Accumulated (Losses) Earnings

To 16 April 2014 the accumulated losses represent losses of Medlab Pty Ltd and entities it controlled. Following this date the accumulated losses reflects the profits and losses of the consolidated group being Medlab Clinical Ltd and its controlled entities.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Medlab Clinical Limited ('company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the period then ended. Medlab Clinical Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

1.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.4 INVENTORIES

Raw materials (capsules, bottles and labels), work in progress and finished goods are stated at the lower of cost and net realisable value on a weighted average basis. Cost comprises direct materials and delivery costs, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Culture libraries

Costs associated with the acquisition of culture libraries are expensed in the period in which they are incurred.

1.5 PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

- Leasehold improvements 3-15 years
- Plant and equipment 3-13 years
- Office furniture and equipment 3-10 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

1.7 LEASING

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight line basis over the term of the lease.

1.8 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.9 EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.10 REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of nutraceuticals

Sale of goods revenue is recognised at the point of sale, which is at the time when the customer's orders are despatched. Amounts disclosed as revenue are net of sales returns and trade discounts.

R&D refundable tax offset

Tax refundable tax offset is recognised when there is a reasonable assurance that the incentive will be received and all attached conditions will be complied with.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

R&D Contract Revenue

R&D contract revenue is recognised by reference to the stage of the contracts. Stage of completion is measured by reference to milestones achieved as per the contract. Where the milestones are not clarified as per the contract, revenue is recognised based on other indications as per the contract.

1.11 FOREIGN CURRENCIES

1.11.1 Individual Controlled Entities

The individual Financial Statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated Financial Statements, the financial results and financial position of each Group entity are expressed in Australian Dollars ('$'), which is the functional currency of Medlab Clinical Limited, and the presentation currency for the consolidated Financial Statements.

1.11.2 Foreign Currency Transactions

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.11.3 Foreign Operations

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

1.12 GOODS AND SERVICE TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

1.13 TAXATION

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company and its wholly owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Medlab Clinical Limited.

1.14 ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.15 EXPENSES

Research and development
Research and development costs are expensed in the period in which they are incurred.

Patents and trademarks
Costs associated with patents and trademarks are expensed in the period in which they are incurred.

Website development costs
Costs associated with website development are expensed in the period in which they are incurred.

1.16 TRADE AND OTHER RECEIVABLES

Trade receivables are recognized and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectable.

1.17 TRADE AND OTHER PAYABLES

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Group at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

1.18 BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs.

1.19 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Medlab Clinical Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has not elected to adopt any accounting standards or amendments to standards or interpretations issued prior to the date of this report where application is not mandatory for the year ended 30 June 2015.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2015. Management has not yet assessed the impact the accounting standards that have been issued but are not yet effective will have on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are described in note 1, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 2 – PARENT INFORMATION
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2015 $
STATEMENT OF FINANCIAL POSITION	
ASSETS	
Current assets	373,565
Non-current assets	-
- Investments in subsidiaries	2,252,374
- Loans to subsidiaries	3,095,000
TOTAL ASSETS	5,720,939
LIABILITIES	
Current liabilities	557,598
TOTAL LIABILITIES	557,598
EQUITY	
Issued capital	5,252,374
Retained earnings	(89,033)
TOTAL EQUITY	5,163,341

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2015.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 3 – REVENUE

	2015 $
Sales revenue:	
- Sale of goods	197,184
- Rendering of R&D services & consultation	165,573
	362,757
Other revenue:	
- Interest received	18,539
- R&D tax incentive	884,864
	903,403
Total revenue	1,266,160

NOTE 4 – OTHER EXPENSES

	2015 $
Other expenses includes the following specific expenses:	
Lab Consumables	106,759
Telephone and internet	130,013
Travel	167,173

NOTE 5 – INCOME TAX EXPENSE

	2015 $
The prima facie tax on the (loss) from ordinary activities before income tax is reconciled to the	
income tax as follows:	
Prima facie tax payable on (loss) from ordinary activities before income tax at 30%	(1,172,471)
Add tax effect of:	
- non-deductible R&D expense	504,000
- entertainment	12,062
- other non-deductible expenses	36,960
Less: tax effect of:	
- Tax effect of different company tax rate in USA (35%)	(22,067)
- R&D incentive receivable	(226,800)
Future income tax benefit not recognised	868,316
	-

The economic entity has separate tax entities within Australia and the United States. All tax jurisdictions have tax losses, which are not recognised in their books at 30 June 2015. The unused tax losses held in the Australian group companies as at 30 June 2015 are $567,309 and a further $258,604 (USD$) was held in the US companies. The tax losses are available for offset against future taxable profits of the companies in which losses arose within each tax jurisdiction subject to certain conditions being met.

The Directors have not brought to account a deferred tax asset to recognise the potential tax benefit of these tax losses as any benefit will only be obtained if:

- The economic entity meets the conditions for deductibility imposed by tax legislation in relation to the same business test and continuity of ownership laws;
- The economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from deductions for the losses to be realised; and
- No changes in tax legislation occur in future years that would adversely affect the economic entity in realising the benefit from the deductions for the losses (in the event they qualify to be utilised by the economic entity).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 6 – CASH AND CASH EQUIVALENTS

	2015 $
Cash at bank and on hand	115,815
Reconciliation of cash flow from operations with loss from ordinary activities after income tax	
Loss after income tax	(3,908,235)
Non-cash flows in profit	
Foreign exchange gains and losses	14,440
Depreciation and amortisation	133,236
Changes in assets and liabilities	
- (Increase)/decrease in receivables	(395,159)
- (Increase)/decrease in prepayments	(29,052)
- (Increase)/decrease in inventories	(386,308)
- Increase/(decrease) payables	605,474
Cash flows from operations	**(3,965,604)**

NOTE 7 – TRADE AND OTHER RECEIVABLES

	2015 $
Current	
Trade receivables	84,395
Less: Provision for impairment of receivables	-
	84,395
Other receivables	757,039
Total current receivables	**841,434**

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $6,742.

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based recent collection practices.

The ageing of the past due but not impaired receivables are as follows

	2015 $
0 to 3 months overdue	6,742
3 to 6 months overdue	-
Over 6 months overdue	-
	6,742

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 8 – INVENTORIES

	2015 $
Current	
Raw materials	51,926
Finished goods	334,382
Total inventories	**386,308**

NOTE 9 – OTHER ASSETS

	2015 $
Current	
Prepayments	29,052
ASX Listing costs	356,298
Rental bond	2,523
Total other current assets	**387,873**

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

	2015 $
Plant and equipment – cost	433,445
Less accumulated depreciation	(92,517)
	340,928
Leasehold improvements - cost	99,579
Less accumulated amortisation	(26,382)
	73,197
Office furniture & equipment – cost	226,484
Less accumulated depreciation	(99,966)
	126,518
Total property, plant and equipment	**540,643**

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant & Equipment $	Office Furniture & Equipment $	Leasehold Improvements $	Total $
Consolidated Group:				
Balance at 16 April 2014	376,072	47,490	57,857	481,419
Additions	19,106	139,182	34,172	192,460
Disposals	-	-	-	-
Depreciation expense	(54,250)	(61,079)	-	(115,329)
Amortisation expense	-	-	(18,832)	(18,832)
Foreign currency translation	-	925	-	925
Carrying amount at 30 June 2015	**340,928**	**126,518**	**73,197**	**540,643**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 11 – TRADE AND OTHER PAYABLES

	2015 $
Current	
Unsecured liabilities:	
Trade payables	357,152
Sundry payables and accrued expenses	534,780
	891,932

NOTE 12 – EMPLOYEE BENEFITS

	2015 $
Current	
Employee benefits	80,658
	80,658

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the company does not have an unconditional right to defer settlement.

NOTE 13 – BORROWINGS

	2015 $
Current	
Loans from directors (a)	755,005
Loan from other parties	260
Total current borrowings	**755,265**
Non Current	
Loan from director (b)	245,606
Total non-current borrowings	**245,606**

(a) Mr Sean Hall and Mr Michael Hall advanced funds to the Company to cover for any shortfall as the Company completed the ASX Listing. The loans are to be repaid within 10 business days after the Listing and will incur interest at 5.8%pa.

(b) Mr Sean Hall has advanced funds to the Company. The loan is to be repaid by 31 December 2017 and will incur interest at 3%pa.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 14 – PROVISIONS

	2015 $
Non-Current	
Provision for lease make-good	27,500

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease Make Good $
Carrying amount at the start of the year	-
Additional provisions recognised	27,500
Carrying amount at the end of the year	27,500

NOTE 15 – OTHER LIABILITIES

	2015 $
Non-Current	
Deferred lease liability	14,341
	14,341

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 16 – ISSUED CAPITAL

	2015 Number	Total $
Ordinary shares – fully paid	130,000,000	5,252,374
	130,000,000	5,252,374

Movements in ordinary share capital

Details	Date	No. of Shares	Issue Price $	Total $
Balance	17 April 2014	70,000,000	-	2,252,374
Issue of shares	18 July 2014	33,000,000	0.05	1,650,000
Issue of shares	4 August 2014	2,000,000	0.05	100,000
Issue of shares	19 August 2014	6,600,000	0.05	330,000
Issue of shares	21 August 2014	1,000,000	0.05	50,000
Issue of shares	25 August 2014	1,000,000	0.05	50,000
Issue of shares	27 August 2014	1,000,000	0.05	50,000
Issue of shares	9 September 2014	4,000,000	0.05	200,000
Issue of shares	15 September 2014	1,000,000	0.05	50,000
Issue of shares	19 September 2014	2,000,000	0.05	100,000
Issue of shares	6 October 2014	1,000,000	0.05	50,000
Issue of shares	15 October 2014	1,000,000	0.05	50,000
Issue of shares	31 October 2014	6,400,000	0.05	320,000
Balance	30 June 2015	130,000,000	-	5,252,374

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 17 – RESERVES

Foreign Currency Translation Reserve: The foreign currency translation reserve records exchange differences arising on translation of overseas controlled subsidiaries (United States).

	2015 $
Reserves	
Foreign currency translation reserve	32,965
	32,965

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign Currency
Consolidated	
Balance at 16 April 2014	-
Foreign currency translation	32,965
Balance at 30 June 2015	**32,965**

NOTE 18 – SHARE-BASED PAYMENTS

10,000,000 share options were granted to Key Management Personnel on 17th April 2014 at an exercise price of $0.30 per share as identified in the directors' report. The share options have been established by the consolidated entity and approved by the directors at the board meeting. The options are issued for nil consideration. Set out below is the summary of the options granted:

Grant Date	Expiry Date	Grant Price	Exercise Price	Balance at start of year	Granted	Exercised	Forfeited/ Expired/ Other	Balance at end of year
17/04/2014	30/06/2019	Nil	$0.30	-	10,000,000	-	-	10,000,000

An employee share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the board of Directors, grant options over ordinary shares in the company to certain staff of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee. No options have been issued under this employee share option plan as of the date of this financial report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 19 – EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since 30 June 2015 which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years other than:

Medlab Clinical Limited (ASX: MDC) was admitted to the Official List of ASX Limited in Monday 13 July 2015. The official quotation of 72,062,953 fully paid ordinary shares was on Tuesday 14 July 2015.

In accordance with the agreement executed with Shaw and Partners Limited, following the successful completion of the IPO, unquoted options were issued under the following key conditions:

- No of Options = 1,541,725
- Granted on 10 July 2015
- Options can not be exercised until 10 July 2018
- Options expire on 30 June 2020
- Exercise price of $0.30

Since year end, the following shares were released from escrow:

- On 19 August 2015: 3,750,000 ordinary shares
- On 21 August 2015: 750,000 ordinary shares
- On 25 August 2015: 750,000 ordinary shares
- On 27 August 2015: 750,000 ordinary shares

NOTE 20 – COMMITMENTS

Operating Lease Commitments

	2015 $
Payable:	
- not later than 12 months	227,614
- between 12 months and five years	188,095
Total operating lease commitments	415,709

Operating lease commitments includes contracted amounts for business premises and an equipment lease under non-cancellable operating leases expiring within one to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

NOTE 21 – AUDITORS REMUNERATION

During the financial year the following fees were paid or payable for services provided by ESV Accounting and Business Advisors, the auditor of the company, its network firms and unrelated firms:

	2015 $
- auditing or reviewing the financial report	54,671
- due diligence services	19,600
- other services	-

NOTE 22 – CONTINGENT LIABILITIES

The Company has given bank guarantees as at 30 June 2015 of $52,503 towards the rental bond.

NOTE 23 – INTERESTS IN SUBSIDIARIES

Name	Principal Place of Business/Country of Incorporation	Ownership Interest
Medlab Pty Ltd	Australia	100%
InMed Technologies Inc	United States of America	60%
Medlab IP Pty Ltd	Australia	100%
Medlab Research Pty Ltd	Australia	100%
Beyond Bioscience Inc	United States of America	50%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 24 – FINANCIAL INSTRUMENTS

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

At reporting date, the consolidated entity had not entered into any forward exchange contracts yet.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets 2015 $	Liabilities 2015 $
US dollars	157,010	3,761
	157,010	3,761

The consolidated entity had net assets denominated in foreign currencies of $153,249 (assets of $157,010 less liabilities of $3,761) as at 30 June 2015 Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been $80,000 lower/$50,000 higher and equity would have been $5,000 lower/$3,000 higher. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2015 was $14,440.

Price risk

The consolidated entity is not exposed to any significant price risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 24 – FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Remaining contractual maturities
Non-derivatives					
Non-interest bearing					
Trade payables	-%	357,152	-	-	357,152
Other payables	-%	534,779	-	-	534,779
Interest-bearing - fixed rate					
Director Loans	5.80%	755,005	-	-	755,005
Director Loans	3.00%		-	245,606	245,606
Total non-derivatives		1,646,936	-	245,606	1,892,542

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 25 – ACCUMULATED LOSSES

	2015 $
Accumulated losses at the beginning of the year	1,120,333
Loss for the year	3,908,235
Accumulated losses at the end of the year	5,028,568

NOTE 26 – KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2015 $
Short-term employee benefits	953,438
Post-employment benefits	75,100
	1,028,538

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 27 – RELATED PARTY TRANSACTIONS

Parent entity
Medlab Clinical Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 23.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	2015 $
Payment for goods and services:	
Payment for taxation services from Hall Chadwick (director-related entity of Drew Townsend)	700
Receivable from and payable to related parties	
The following balances are outstanding at the reporting date in relation to transactions with	
related parties:	
Trade payable to Hall Chadwick (director-related entity of Drew Townsend)	770
Loans to/from related parties:	
Loans from Sean Hall	597,751
Loans from Michael Hall	402,860

NOTE 28 – EARNINGS PER SHARE

	2015 $
Loss for the year	3,908,235
Non-controlling interest	(355,393)
Loss attributable to the owners of Medlab Clinical Limited	3,552,842
	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	113,792,255
10,000,000 Options over ordinary shares given to directors and other key management	
personnel are non-dilutive	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	113,792,255
	Cents
Basic earnings per share	(3.12)
Diluted earnings per share	(3.12)

FOR THE PERIOD ENDED 30 JUNE 2015

NOTE 29 – SEGMENT REPORTING

Identification of reportable operating segments

The consolidated entity identifies its operating segments based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources. For the year ending 30 June 2015, the financial information presented in both the Statement of Profit or Loss and other Comprehensive Income and Statement of Financial Position is the same as that presented to the Chief Operating Decision Makers.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 19 to 44;
    a. Comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
    b. Comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and
    c. Give a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors:

S Hall
Director

D Townsend
Director

Dated this 27th day of August 2015

ESV

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MEDLAB CLINICAL LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report of Medlab Clinical Limited and Controlled Entities ("the Group"), which comprises the statement of financial position as at 30 June 2015, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity.

Directors' Responsibility for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1.1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements, and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true an fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MEDLAB CLINICAL LIMITED AND CONTROLLED ENTITIES

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Medlab Clinical Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Group for the period ended 30 June 2015 and of its performance for the period ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the period ended 30 June 2015. The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Medlab Clinical Limited and Controlled Entities for the period ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Dated at Sydney the 27th day of August 2015

ESV

ESV Accounting and Business Advisors

Tim Valtwies

Tim Valtwies
Partner

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 18 August 2015.

Distribution of equitable securities

Analysis of number of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	5
1,001 to 5,000	47
5,001 to 10,000	283
10,001 to 100,000	211
100,001 and over	58
	604

Equity security holders

Top 20 quoted equity security holders

The holders of the Top 20 security holders of equity securities are listed below:

	Ordinary Shares	
	Number Held	% of total shares issued
Sean Michael Hall	54,922,222	34.15%
FIT Investments Pty Ltd <Hallab Investment A/C>	10,967,778	6.82%
Realm Group Pty Ltd	10,500,000	6.53%
Farjoy Pty Ltd	10,000,000	6.22%
Morgan Stanley Australia Securities (Nominee) Pty Ltd <No 1 Account>	6,550,000	4.07%
Washington H Soul Pattison Pty Ltd	5,933,694	3.69%
DJ Fairfull Pty Ltd	5,000,000	3.11%
Rolay Pty Ltd	5,000,000	3.11%
Liyah Pty Ltd	5,000,000	3.11%
Acron Holdings Pty Ltd <Acron Super Fund>	5,000,000	3.11%
Tuwele Pty Ltd <Murphy Family A/C>	3,360,000	2.09%
Danveer Pty Ltd <Kennedy Super Account>	2,762,500	1.72%
HSBC Custody Nominees (Australia) Limited	2,562,355	1.59%
David Kenney	2,000,000	1.24%
Curtinsmith Investments Pty Ltd <Curtinsmith Family Account>	2,000,000	1.24%
Tuwele Pty Ltd <Rosella Superannuation Account>	1,240,000	0.77%
Stephen John Spencer	1,200,000	0.75%
HFT Nominees	1,000,000	0.62%
Pharmamark Australia Pty Ltd	1,000,000	0.62%
Legend Developments Pty Ltd <A&D Dworkin Family A/C>	1,000,000	0.62%
	136,998,549	85.18%

Unquoted equity securities

	Number Held	Number of holders
Options over ordinary shares issued:	11,541,725	3

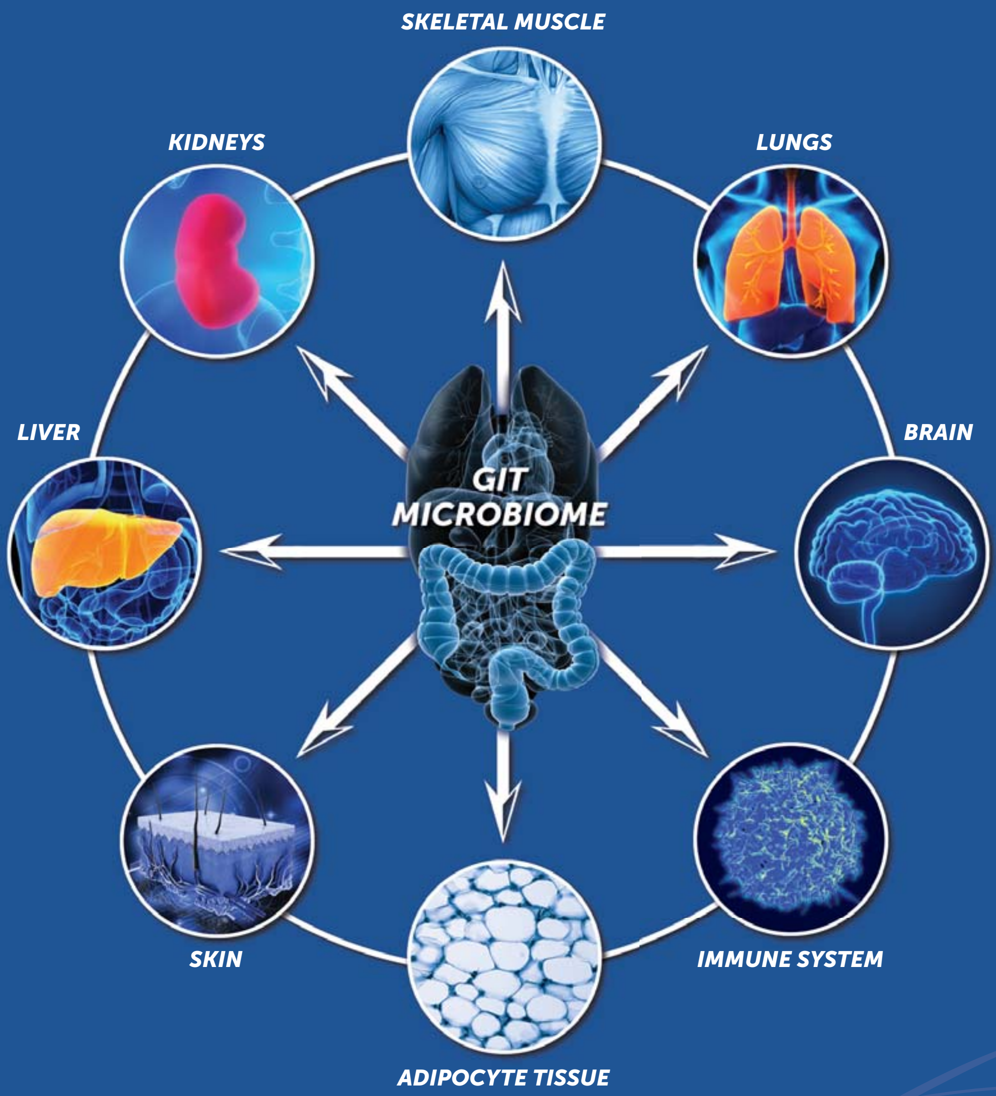
Substantial Shareholders

	Ordinary Shares	
	Number Held	% of total shares issued
Sean Michael Hall	54,922,222	34.15%
FIT Investments Pty Ltd <Hallab Investment A/C>	10,967,778	6.82%
Realm Group Pty Ltd	10,500,000	6.53%
Farjoy Pty Ltd	10,000,000	6.22%

CORPORATE DIRECTORY

Directors:	Michael Hall Sean Hall Drew Townsend
Company Secretary:	Alan Dworkin
Notice of Annual General Meeting:	The details of the annual general meeting of Medlab Clinical Limited are: Hall Chadwick 40/2 Park Street Sydney NSW 2000 10:30 am on Monday 26 October 2015
Registered Office:	66 McCauley Street Alexandria NSW 2015
Principal Place of Business:	66 McCauley Street Alexandria NSW 2015
Share Registry:	Advanced Share Registry 110 Stirling Highway Nedlands WA 6009
Auditors:	ESV Accounting and Business Advisors Level 18 City Centre 55 Market Street Sydney NSW 2000
Solicitors:	Sparke Helmore Lawyers Level 16 321 Kent Street Sydney NSW 2000
Patent Attorneys:	Davies Collison Cave 255 Elizabeth Street Sydney NSW 2000
Bank:	Commonwealth Bank Australia Limited
Securities Exchange Listing:	Medlab Clinical Limited shares are listed on the Australian Securities Exchange (ASX: MDC)
Website:	www.medlab.co
Corporate Governance Statement:	http://www.medlab.co/investors/corporate-governance

"The bacteria in our gastrointestinal tract (GIT) directly affects the performance of our organs..."



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